Date of Issuance – February 28, 2020

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION **RESOLUTION E-5062**
February 27, 2020

R E S O L U T I O N

Resolution E-5062 approves, with adjustments, Efficiency Savings and Performance Incentive awards for three major California investor-owned utilities for program years 2017 and 2018.

PROPOSED OUTCOME:

- Approves $43,107,500 in total shareholder incentives
- Approves $21,565,977 in incentives for Pacific Gas and Electric Company
- Approves $16,525,779 in incentives for Southern California Edison Company
- Approves $5,015,744 in incentives for San Diego Gas & Electric Company

SAFETY CONSIDERATIONS:

- This Resolution is not expected to have an impact on safety.

ESTIMATED COST: This Resolution approves $43,107,500 in incentive payments ("awards") for implementing ratepayer-funded energy efficiency programs, to Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company.

By Advice Letters (AL) Pacific Gas and Electric Company 4137-G/5628-E, Southern California Edison Company 4070-E, and San Diego Gas & Electric Company 3428-E/2796-G filed on September 3, 2019.

SUMMARY

Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E) are referred to as investor-owned utilities (IOU).

1) This Resolution approves with adjustments each IOU's program year (PY) 2017 and partial 2018 Efficiency Savings and Performance Incentive (ESPI) awards.
2) In 2020, the California Public Utilities Commission will evaluate remaining 2018 energy savings and measures and award incentives.

The final incentives are detailed in Tables 1 and 2.

Table 1: Final ESPI Awards for 2017 and 2018

IOU	Awards Requested	Adjustment	Awards Approved
PG&E	$21,581,555	($15,578)	$21,565,977
SCE	$16,726,231	($200,452)	$16,525,779
SDG&E	$5,098,962	($83,218)	$5,015,744

Table 2: Approved ESPI Awards per Component

Component	PG&E	SCE	SDG&E
2016 Evaluated Home Energy Report Savings	$728,775	$192,615	$141,940
2017 Evaluated Savings	$11,605,194	$10,176,377	$3,513,198
2017 Expected Savings True Up	$462,408	$681,190	$24,475
2018 Expected Savings	$1,845,851	$1,015,631	$183,029
2018 Ex Ante Review Performance	$4,595,847	$3,377,954	$856,624
2018 Codes & Standards	$1,868,921	$634,559	$121,488
2018 Non-Resource	$476,235	$451,202	$178,977
2016 Codes & Standards True Up	($7,690)	$5,862	$2,016
2017 Codes & Standards True Up	($9,196)	($8,642)	($6,004)
2018 Codes & Standards True Up	$0	$0	$0
2015 Non-Resource True Up	$0	$1,271	$0
2016 Non-Resource True Up	($2,679)	$1,045	$0
2017 Non-Resource True Up	$2,310	($3,285)	($2,933)
2018 Non-Resource True Up	$0	$0	$2,933
Awards for PY 2017 and 2018	$21,565,977	$16,525,779	$5,015,744

BACKGROUND

The California Public Utilities Commission (CPUC) adopted the Efficiency Savings and Performance Incentive (ESPI) mechanism in 2013.[1] The ESPI mechanism is a set of rules

[1] D.13-09-023

for calculating incentive awards intended to motivate IOUs to achieve their CPUC-authorized energy savings goals by investing in energy efficiency programs as a core business strategy. Without such incentives, IOUs might instead devote scarce resources to supply-side procurement on which they earn a return.[2] By means of the ESPI mechanism, the IOUs are given annual monetary awards based on their portfolio performance in the areas of energy efficiency resource programs,[3] non-resource programs,[4] and codes & standards (C&S) programs. These awards are separate from the IOUs' authorized annual budgets and approved annual expenditures. They can be allocated toward capital projects or dividends.

In 2015, the CPUC adopted new energy efficiency planning, budget, and review processes and updated the timelines for ESPI review accordingly. The framework of the ESPI mechanism was otherwise retained.[5] In 2016, the CPUC modified the calculation of the expected (or "ex ante") savings review process performance scores. In 2018, a ruling shifted that year's expected energy savings adjustment timeline forward.[6] CPUC Staff again released draft expected savings calculations early to inform the IOUs, by email in August 2019. Each year, the CPUC approves ESPI awards consistent with D.05-09-043, D.13-09-023, and the subsequent decisions.

Portfolio Categories for the ESPI Mechanism

A. **Energy Efficiency Resource Savings:** This is an award for net lifecycle resource program energy savings measured in MW, GWh and MMT. This component is capped at 9% of the resource program budget, excluding funding dedicated to administrative activities; C&S programs; Evaluation, Measurement, and Verification; and Community Choice Aggregators/Regional Energy Networks.

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[2] D.13-09-023 at page 86

[3] A resource program is an energy efficiency program that is intended to achieve and report quantified energy savings.

[4] A non-resource program is an energy efficiency program to which energy savings are not directly attributed, but which supports the energy efficiency portfolio through activities such as marketing, training and education, or emerging technology. See D.07-09-043, Section 9.1.

[5] D.15-10-028, Appendix 5

[6] *Assigned Commissioner's Ruling Regarding 2016 Ex-Post and 2017 Ex-Ante Savings ESPI*

The energy savings of the portfolio are determined through a combination of expected savings (as estimated pre-implementation, or "ex ante") and savings evaluated post-implementation (or "ex post"). Consequently, the energy efficiency resource savings award is a sum of expected and evaluated savings awards. IOUs apply for awards based on their expected savings in the year following the PY (i.e., in 2019 for PY 2018) and based on their evaluated savings two years following the PY (i.e., in 2019 for PY 2017).[7]

To determine which measures will be subject to evaluation, the CPUC annually releases the "Uncertain Measures List" prior to the start of the PY.[8] The list of uncertain measures for PY 2018 was released by CPUC Staff on October 31, 2017.[9] Measures that are not on the Uncertain Measures List are called "not-uncertain deemed measures," and their expected savings estimates are used for the purposes of calculating the ESPI.

B. Ex Ante Review (EAR) Process Performance: This is a performance award for IOUs' conformance to EAR process standards of up to 3% of authorized resource program expenditures, excluding administrative costs.

The EAR performance award is the product of these expenditures and the total EAR performance score. Each IOU's total score is based on a performance review of their respective EAR activities in accordance with the metrics in Table 3.[10]

Table 3: Weights Adopted for the EAR Performance Metric Categories

[7] For certain situations such as a) large Custom projects that commence towards the close of the year and require extensive post-implementation measurement and verification, or b) joint IOU projects that provide evidence of unavoidable delays for accurate reporting, the Commission has allowed IOUs to claim savings after their initial reporting and approved them on a case-by-case basis.

[8] D.13-09-023, Section 7.3 defines uncertain measures as those measures for which the Commission believes the net lifetime savings of the current database of energy efficiency resources (DEER) or non-DEER savings estimate may be as much as 50% or more under- or over-estimated.

[9] CPUC ESPI web page, *Final 2018 Uncertain Measure List*

[10] D.16-08-019, Section 7.1

Metric Category	Weight
1. Timing and Timeliness of Submittals	10%
2. Content, Completeness, and Quality of Submittals	30%
3. Proactive Initiative of Collaboration	10%
4. Program Administrator (PA)'s Due Diligence and QA/QC Effectiveness	25%
5. PA's Responsiveness to Needs for Process and Program Improvements	25%

C. **Codes and Standards (C&S) Advocacy Programs:** This is a management fee for the IOUs' advocacy of C&S. Calculated based on 12% of the authorized C&S program expenses, excluding administrative costs.

D. **Non-Resource Programs:** This is a management fee for implementing non-resource programs equal to 3% of the authorized non-resource program expenses, excluding administrative costs.

For the purposes of calculating the ESPI awards, program expenditures shall not exceed authorized budgets.

The CPUC relies on public versions of Utility, Audit, Finance and Compliance Branch (UAFCB) audit reports to verify the expenditures with which to calculate the C&S and non-resource program awards.[11] Past ESPI Resolutions have also used UAFCB audit reports to verify resource program expenditures with which to calculate the EAR performance awards. The UAFCB did not audit PY 2018 resource programs, however, so there are no EAR performance true ups in this Resolution.

PROTESTS

No protests were filed to dispute the IOU-requested incentive award amounts.

DISCUSSION

2017 and 2018 Earnings Coefficients

[11] D.13-09-023, Ordering Paragraph (OP) 17

This Resolution uses 2017 and 2018 approved earnings coefficients to calculate ESPI awards. The IOUs are now consistent in assigning original budgeted program categories for determining earnings coefficients.

Earnings coefficients determine the rate at which the IOUs will be paid for each unit of energy or demand savings achieved. They are derived by dividing the IOUs' authorized resource program budgets by their Net Lifecycle Goals.[12] The earnings coefficients for PY 2017 (used in this Resolution to calculate the 2017 evaluated resource savings award) were finalized in 2018 via CPUC approval of a joint Tier 1 Advice Letter filed by the California IOUs.[13] The earnings coefficients for PY 2018 were finalized in 2019 via approval of a similar joint Tier 1 Advice Letter.[14]

The approved 2017 and 2018 earnings coefficients, or rates, are shown in Table 4.

Table 4: 2017 and 2018 Statewide Earnings Coefficients

Energy Savings Type	2017	2018
Electricity ($/GWh)	$2,368	$2,731
Peak Demand ($/MW)	$7,549	$6,953
Natural Gas ($/MMTh)	$25,106	$20,231

In the 2019 Earnings Rates and Awards Cap Advice Letters, the IOUs used the program categories from their budget filings submitted with the 2018 Annual Budget Advice Letters. In SDG&E's case, these categories differed from those in SDG&E's budget filing data in the California Energy Data and Reporting System (CEDARS).[15] The ESPI Advice Letters also included new programs that were not in the 2018 Annual Budget Advice Letters, or CEDARS, although these programs lacked expenditures.

Once savings are finalized in the *Savings Performance Statement*, they are multiplied by the earnings coefficients to determine the resource savings award component of the ESPI award.

[12] D.15-10-028, Section 3.1

[13] CPUC ESPI web page, *2017 ESPI Earning Coefficients and Caps*

[14] CPUC ESPI web page, *2018 ESPI Earning Coefficients and Caps*

[15] CEDARS is the Commission's online system for receiving various compliance data submittals. The CEDARS program expenditures came from the CEDARS website's Data tab.

2017 and 2018 Award Caps

The IOUs requested awards at or under their caps in the four incentive categories.

The award cap for each category is a percentage of the authorized budget for that category. If the approved expenditures are less than the previously authorized budget for a category, the expenditures are used to calculate the award (which will be less than the cap).[16]

The 2017 award caps[17] are provided in Table 6.

Table 6: 2017 Award Caps by Category and IOU ($)

IOU	**Resource Savings** (9% of resource program budget)	**EAR Performance** (3% of resource program budget)	**Codes & Standards** (12% of C&S program budget)	**Non-Resource** (3% of non-resource program budget)
PG&E	$26,374,389	$8,791,463	$1,973,606	$908,786
SCE	$21,863,178	$7,287,726	$671,252	$678,887
SDG&E	$8,567,851	$2,855,950	$109,303	$248,726

The 2018 award caps[18] are provided in Table 7.

Table 7: 2018 Award Caps by Category and IOU ($)

IOU	**Resource Savings** (9% of resource program budget)	**EAR Performance** (3% of resource program budget)	**Codes & Standards** (12% of C&S program budget)	**Non-Resource** (3% of non-resource program budget)
PG&E	$25,313,097	$8,437,699	$1,868,921	$772,894
SCE	$16,903,807	$5,634,602	$634,559	$451,202

16 D.13-09-023, Attachment 1

17 CPUC ESPI web page, *2017 ESPI Earning Coefficients and Caps*. Note: the amounts shown here and in Table 8 of *Resolution E-5007* are correct, while the 2017 Ex-Ante Savings and 2017 EAR Performance award caps shown in *Resolution E-5007*'s "IOU-Specific Adjustments" section were typos.

18 CPUC ESPI web page, *2018 ESPI Earning Coefficients and Caps*

SDG&E	$8,635,841	$2,878,614	$121,538	$217,708

Ex Ante Review (EAR) Performance Scores

The EAR Process Performance award equals the IOUs' weighted EAR performance scores multiplied by 3% of their approved resource program expenditures (excluding administrative costs). IOUs must calculate weighted EAR performance scores using the contributions of deemed and custom projects to net lifecycle savings.

Twice each year, the CPUC provides feedback to the IOUs on their EAR process performance by issuing midyear and final performance memos. The final performance memos contain EAR performance scores for deemed and custom projects. Final 2018 performance memos were released on March 27, 2019.[19] D.16-08-019 ordered that ESPI scores be weighted based on the proportion of deemed savings measures and custom measures in each IOU's portfolio.[20]

In Resolution E-5007, the CPUC ordered the IOUs to calculate their own weighted EAR performance scores for their ESPI Advice Letters. PG&E and SDG&E did not calculate their own weighted EAR performance scores, and therefore are out of compliance with Resolution E-5007. For the purposes of expedient ESPI processing, CPUC staff performed this calculation using the same methodology which was used for the 2017 EAR performance scores.[21] This year, normalized metered energy consumption (NMEC) projects were counted as custom measure savings as they accounted for less than ten percent of the portfolio.[22] The IOUs must comply with Resolution E-5007 and calculate their own weighted EAR performance scores in for their 2020 ESPI Advice Letters. Table 8 shows the IOUs' 2018 deemed, custom, and total weighted scores.

Table 8: 2018 EAR Performance Scores

IOU	Deemed Score (%)	Custom Score (%)	Total Weighted Score (%)

[19] 2018 ESPI EAR Performance Memos

[20] D.16-08-019, OP 19

[21] *Resolution E-5007*

[22] D.16-08-019 at 88

PG&E	31.54	44.23	78.90
SCE	30.70	50.00	73.47
SDG&E	21.69	24.98	45.45

CPUC Adjustments of ESPI Awards

This Resolution modifies the total award requested by each IOU to reflect official expenditure reports; CPUC energy savings, award cap, and weighted EAR performance score calculations; and CPUC audit reports.

Workbooks showing the CPUC's adjustments to IOU-submitted energy savings values and program expenditures are available on the CPUC's ESPI web page.

1) Adjustments to 2016 and 2017 Evaluated Energy Savings Data

Evaluated savings from 2016 Home Energy Report programs, evaluated savings from 2017 programs, and resulting ESPI awards are detailed in the *2017 Savings Performance Statement* and corresponding workbooks.[23]

2) Adjustments to 2017 Expected Energy Savings Data

The 2017 expected savings adjustment is detailed in the *2017 Savings Performance Statement* and corresponding workbooks.[24] This adjustment results from fixing ESPI category assignments and updating installation rates as a result of evaluation findings, per Section 7.3 of D.13-09-023.

3) Adjustments to 2018 Expected Energy Savings Data

The 2018 expected savings award is detailed in the *2018 Savings Adjustment Statement* and corresponding workbooks.[25] The main adjustment to the 2018 expected savings award was the elimination of savings IOUs claimed in the wrong year.

4) 2018 Eligible Expenditures

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[23] CPUC ESPI web page, *2017 Savings Performance Statement, Workbooks, and Database*

[24] Ibid.

[25] CPUC ESPI web page, *2018 Savings Adjustment Statement and Workbooks*

Expenditures that occurred in 2018 are eligible for ESPI awards in this Resolution. Expenditure-related calculations and adjustments are detailed in the *2018 Expenditures Workbook*. [26]

a) Reconciliation of ESPI Advice Letters and CEDARS submittals

CPUC Staff relied on the annual reports in the California Energy Data and Reporting System (CEDARS) for reviewing expenditures.

As directed by *Resolution E-5007* and the *Guidelines for the 2019 AL Submission*, the IOUs attached spreadsheets showing their annual expenditures to their ESPI Advice Letters.[27] The CPUC reviewed the spreadsheets for completeness and compared the expenditures to the IOUs' official expenditures reported in the Annual Claims submittal via CEDARS.

- PG&E: The Advice Letter total was $234,787 higher than the CEDARS total, but the spreadsheet total matched the CEDARS total.
- SCE: The Advice Letter, spreadsheet, and CEDARS totals matched.
- SDG&E: The Advice Letter total was $1,802,419 lower than the CEDARS total, and the spreadsheet total was $2,044,734 lower than the CEDARS total.

The IOUs must inform the CPUC Staff at the time of submitting their ESPI Advice Letters if any information sought in the ESPI guidelines template will result in a discrepancy between their Advice Letters and their annual CEDARS submittals.

The eligible expenditures accepted by the CPUC prior to other necessary exclusions are shown in Table 9. This is followed by a discussion on the other exclusions.

Table 9: 2018 Eligible Expenditures

ESPI Program Category	PG&E	SCE	SDG&E
Resource Programs	$222,581,907	$155,626,107	$68,854,175
C&S Programs	$17,209,017	$6,556,772	$1,012,401
Non-Resource Programs	$15,874,499	$20,263,105	$5,965,916

[26] CPUC ESPI web page, *2018 Expenditures Workbook*

[27] CPUC ESPI web page, *Guidelines for the 2019 AL submission*

b) Exclusion of Statewide Marketing Education & Outreach (ME&O), Community Choice Aggregators/Regional Energy Networks, Evaluation Measurement and Verification, and On-Bill Financing Loan Pool expenditures

No adjustments by the CPUC were necessary.

All IOUs properly excluded expenditures related to Statewide ME&O,[28] Community Choice Aggregators/Regional Energy Networks, Evaluation Measurement and Verification,[29] and On-Bill Financing Loan Pool from their award calculations.

c) Exclusion of expenditures over CPUC-established cost targets

The CPUC has directed the IOUs to limit their budgets for certain cost categories as follows:[30]

- A cap on IOU program administrative costs at 10% of IOU program budgets,
- A target for third party (3P) and local government partnership (LGP) program administrative costs at 10% of 3P and LGP program direct cost budgets, and
- Targets for ME&O and Direct Implementation Non-Incentive (DINI)[31] costs at 6% and 20%, respectively, of IOU program budgets.

These ratios are shown below in terms of expenditures to provide information on how well the IOUs are achieving the CPUC's goal "to control costs to implement energy efficiency programs to get the most bang for the buck."[32] **In 2018, PG&E exceeded the administrative costs target for 3P/LGP programs, and all IOUs exceeded the DINI target.**[33] Table 10 shows the IOUs' expenditure percentages in these categories.

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[28] D.13-12-028 at 94; Resolution E-4897 at 12

[29] D.13-09-023, OP 3

[30] D.09-09-047 at 63 and OP 13.

[31] DINI costs have also been referred to as "Implementation – Customer Services" and "Non-Incentive and Rebates Budget for program delivery," e.g. in D.12-11-015 at 98 and D.09-09-047 at 74.

[32] D.09-09-047 at 62

[33] CPUC ESPI web page, *2018 Expenditures Workbook*, "Adjusted DINI ME&O" worksheet

Table 10: 2018 IOU Expenditure Percentages

Cap or Target (% of expenditures)	PG&E	SCE	SDG&E
IOU Administrative Costs Cap (10%)	9%	5%	7%
3P/LGP Administrative Costs Target (10%)	13%	9%	9%
ME&O Target (6%)	5%	1%	2%
DINI Target (20%)	29%	21%	27%

Since the ESPI mechanism does not incentivize administrative costs, PG&E's excessive administrative costs do not affect the ESPI awards given via this Resolution. Throughout prior budget cycles, the CPUC has addressed overspending on ME&O and DINI expenditures and has required the utilities to minimize their non-incentive expenditures to achieve the cost targets.[34] While the CPUC has allowed over-expenditures in these two categories, it does not intend to reward the IOUs based on these excess expenditures.

Expenditures in excess of the DINI target were excluded from award calculations. Table 11 shows the final expenditure amounts approved and used in the award calculations.

Table 11: 2018 Authorized Expenditures Used for Award Calculation

ESPI Program Category	PG&E	SCE	SDG&E
Resource Programs	$194,166,405	$153,263,745	$62,821,052
C&S Programs	$17,209,017	$6,556,772	$1,012,401
Non-Resource Programs	$15,874,499	$20,263,105	$5,965,916

5) Weighting of Ex Ante Review performance scores

As described in the "Ex Ante Review (EAR) Performance Scores" section above, CPUC Staff applied weights to the custom and deemed EAR performance scores based on their respective proportions of net lifecycle savings (including market effects), before adding these to calculate the 2018 total EAR performance scores. Compared to the total

[34] D.09-09-047, Section 1; D.12-11-015, Section 6.2

scores provided in the final EAR performance memos and used in the IOUs' ESPI Advice Letters, the weighted total scores were slightly higher for PG&E and slightly lower for SCE and SDG&E.

6) True ups based on the 2017 audit reports

Staff corrected discrepancies between the ESPI Advice Letters and audit reports. Staff also trued up past awards due to inadvertently not accounting for award caps in past true ups.

In August 2019, the Utility Audit, Finance and Compliance Branch (UAFCB) issued audit reports on 2017 C&S and non-resource energy efficiency programs. The reports were based on data from CEDARS and other documentation. The IOUs are responsible for incorporating the audit report findings in their ESPI Advice Letters as true ups to their awards.

SCE calculated the net present value of the 2017 audit adjustments using their authorized weighted average cost of capital (WACC), while PG&E and SDG&E simply included the audit adjustments without accounting for WACC. CPUC Staff removed the WACC from SCE's true ups for this Resolution as the IOUs did not receive their 2018 ESPI awards until 2019 due to a delay in the adoption of *Resolution E-5007*. In future ESPI Advice Letters, however, all IOUs should apply their WACC to their true ups of past years' ESPI awards.

The 2017 audit reports explained that certain expenditures attributed to 2017 really belonged in other years, i.e. 2015, 2016, or 2018. Only PG&E added true ups for other years in their ESPI Advice Letter. CPUC Staff added them for SCE and SDG&E. Finally, CPUC Staff accounted for award caps in the true up calculations.

IOU-Specific Adjustments

We provide an IOU-specific breakdown of adjustments and explanation below.

1. PG&E

The CPUC approves an incentive amount of $21,565,977 for PG&E, which is $15,578 less than their requested amount of $21,581,555. PG&E's submitted program savings and expenditures were both adjusted as described above. PG&E's annual total in CEDARS was $234,787 lower than their ESPI Advice Letter total, but their ESPI Advice Letter attachment's total matched CEDARS. CPUC Staff used the CEDARS data to calculate the awards.

1.1 Energy Efficiency Resource Savings

- 2017 Evaluated Energy Savings

PG&E requested the 2016 Evaluated Home Energy Report (HER) Savings incentive as part of their 2017 Evaluated Savings incentive. It is instead awarded in PG&E's section 1.5 below.

ESPI Component	2017 Cap*	Requested	Approved
2017 Evaluated Savings	$24,665,472	$12,333,969	$11,605,194

*2017 savings award cap minus 2017 Expected Savings Award earned in 2018

- 2018 Expected Energy Savings

PG&E's award is approved as requested.

ESPI Component	2018 Cap	Requested	Approved
2018 Expected Savings	$25,313,097	$1,845,851	$1,845,851

1.2 Ex Ante Review (EAR) Process Performance

PG&E's award is reduced by their excess DINI expenditures (see section 4c). PG&E's 2018 EAR performance score is weighted by their deemed and custom savings (see section 5).

ESPI Component	2018 Cap	Requested	Approved
2018 EAR Performance	$8,437,699	$5,064,846	$4,595,847

1.3 Codes & Standards Programs

PG&E's award is approved as requested.

ESPI Component	2018 Cap	Requested	Approved
2018 Codes & Standards	$1,868,921	$1,868,921	$1,868,921

1.4 Non-Resource Programs

PG&E's award is approved as requested.

ESPI Component	2018 Cap	Requested	Approved
2018 Non-Resource	$772,894	$476,235	$476,235

1.5 True Ups

PG&E requested the 2016 Evaluated HER Savings incentive as part of their 2017 Evaluated Savings incentive. It is instead awarded in the table below. PG&E's requested 2017 Expected Savings True Up was based on an incorrect table in the *2017 Savings Performance Statement Workbook* (see section 2). PG&E's requested 2018 Codes & Standards True Up is denied because PG&E exceeded their 2018 Codes & Standards award cap. The 2015 and 2016 true ups include PG&E's weighted average cost of capital.

Component	Requested	Approved
2016 Evaluated HER Savings	$0	$728,775
2017 Expected Savings True Up	($8,267)	$462,408
2016 Codes & Standards True Up	($6,631)	($7,690)
2017 Codes & Standards True Up	($9,196)	($9,196)
2018 Codes & Standards True Up	$15,827	$0
2016 Non-Resource True Up	($2,310)	($2,679)
2017 Non-Resource True Up	$2,310	$2,310
2018 Non-Resource True Up	$0	$0

PG&E's final 2019 award values including all adjustments are shown in Table 12.

Table 12: PG&E 2019 ESPI Awards		
Component	**Requested**	**Approved**
2016 Evaluated HER Savings	$0	$728,775
2017 Evaluated Savings	$12,333,969	$11,605,194
2017 Expected Savings True Up	($8,267)	$462,408
2018 Expected Savings	$1,845,851	$1,845,851
2018 Ex Ante Review Performance	$5,064,846	$4,595,847
2018 Codes & Standards	$1,868,921	$1,868,921
2018 Non-Resource	$476,235	$476,235
2016 Codes & Standards True Up	($6,631)	($7,690)
2017 Codes & Standards True Up	($9,196)	($9,196)
2018 Codes & Standards True Up	$15,827	$0
2015 Non-Resource True Up	$0	$0
2016 Non-Resource True Up	($2,310)	($2,679)
2017 Non-Resource True Up	$2,310	$2,310
2018 Non-Resource True Up	$0	$0
Total Payment	**$21,581,555**	**$21,565,977**

2. SCE

The CPUC approves an incentive amount of $16,525,779 for SCE, which is $200,452 less than their requested amount of $16,726,231. SCE's submitted program savings and expenditures were both adjusted as described above. SCE's ESPI Advice Letter matched their CEDARS data.

2.1 Energy Efficiency Resource Savings

- 2017 Evaluated Energy Savings

SCE's award is approved as requested.

ESPI Component	2017 Cap*	Requested	Approved
2017 Evaluated Savings	$19,916,036	$10,176,376	$10,176,376

*2017 savings award cap minus 2017 Expected Savings Award earned in 2018

- 2018 Expected Energy Savings

SCE's award is approved as requested.

ESPI Component	2018 Cap	Requested	Approved
2018 Expected Savings	$16,903,807	$1,015,631	$1,015,631

2.2 Ex Ante Review (EAR) Process Performance

SCE's award is reduced by their excess DINI expenditures (see section 4c). SCE's 2018 EAR performance score is weighted by their deemed and custom savings (see section 5).

ESPI Component	2018 Cap	Requested	Approved
2018 EAR Performance	$5,634,602	$3,587,493	$3,377,954

2.3 Codes and Standards (C&S) Programs

SCE's award is approved as requested.

ESPI Component	2018 Cap	Requested	Approved
2018 C&S	$634,559	$634,559	$634,559

2.4 Non-Resource Programs

SCE's award is approved as requested.

ESPI Component	2018 Cap	Requested	Approved
2018 Non-Resource	$451,202	$451,202	$451,202

2.5 True Ups

SCE receives 2016 Codes & Standards and 2015 and 2016 Non-Resource True Ups due to 2017 audit findings. SCE does not receive a 2018 Non-Resource True Up (which they did not request) because they exceeded their 2018 Non-Resource award cap. The 2015 and 2016 true ups include, and the 2017 Codes & Standards and Non-Resource true ups exclude, SCE's weighted average cost of capital.

Component	Requested	Approved
2016 Evaluated HER Savings	$192,615	$192,615
2017 Expected Savings True Up	$681,190	$681,190
2016 Codes & Standards True Up	$0	$5,862
2017 Codes & Standards True Up	($9,300)	($8,642)
2015 Non-Resource True Up	$0	$1,271
2016 Non-Resource True Up	$0	$1,045
2017 Non-Resource True Up	($3,535)	($3,285)

SCE's final 2018 award values including all adjustments are shown in Table 13.

Table 13: SCE 2018 ESPI Awards

Component	Requested	Approved
2016 Evaluated HER Savings	$192,615	$192,615
2017 Evaluated Savings	$10,176,376	$10,176,377
2017 Expected Savings True Up	$681,190	$681,190
2018 Expected Savings	$1,015,631	$1,015,631
2018 Ex Ante Review Performance	$3,587,493	$3,377,954
2018 Codes & Standards	$634,559	$634,559
2018 Non-Resource	$451,202	$451,202
2016 Codes & Standards True Up	$0	$5,862
2017 Codes & Standards True Up	($9,300)	($8,642)
2018 Codes & Standards True Up	$0	$0
2015 Non-Resource True Up	$0	$1,271
2016 Non-Resource True Up	$0	$1,045
2017 Non-Resource True Up	($3,535)	($3,285)
2018 Non-Resource True Up	$0	$0
Total Payment	**$16,726,231**	**$16,525,779**

3. SDG&E

The CPUC approves an incentive amount of $5,015,744 for SDG&E, which is $83,218 less than their requested amount of $5,098,962. SDG&E's submitted program savings and expenditures were both adjusted as described above. SDG&E's ESPI Advice Letter total was $1,802,419 lower than their annual total in CEDARS, and their ESPI Advice Letter attachment's total was $2,044,734 lower than their CEDARS total. CPUC Staff used the CEDARS data to calculate the awards.

3.1 Energy Efficiency Resource Savings

- 2017 Evaluated Energy Savings

SDG&E requested the 2017 Expected Savings True Up as part of their 2017 Evaluated Savings incentive. It is instead awarded in SDG&E's section 3.5 below as a true up.

ESPI Component	2017 Cap*	Requested	Approved
2017 Evaluated Savings	$8,299,894	$3,537,673	$3,513,198

*2017 savings award cap minus 2017 Expected Savings Awards Earned in 2018

- 2018 Expected Energy Savings

SDG&E's award is approved as requested.

ESPI Component	2018 Cap	Requested	Approved
2018 Expected Savings	$8,635,841	$183,025	$183,029

3.2 Ex Ante Review (EAR) Process Performance

SDG&E's award is reduced by their excess DINI expenditures (see section 4c), which differed from SDG&E's calculation of these. SDG&E's 2018 EAR performance score is weighted by their deemed and custom savings (see section 5).

ESPI Component	2018 Cap	Requested	Approved
2018 EAR Performance	$2,878,614	$938,792	$856,624

3.3 Codes and Standards (C&S) Programs

SDG&E's award is approved as requested.

ESPI Component	2017 Cap	Requested	Approved
2017 C&S	$121,538	$121,488	$121,488

3.4 Non-Resource Programs

SDG&E's award is approved as requested.

ESPI Component	2017 Cap	Requested	Approved
2017 Non-Resource	$217,708	$178,977	$178,977

3.5 True Ups

SDG&E requested the 2017 Expected Savings True Up as part of their 2017 Evaluated Savings incentive. It is instead awarded in the table below. SDG&E receives 2016 Codes & Standards and 2018 Non-Resource True Ups due to 2017 audit findings. The 2017 Codes & Standards True Up of $6,004 in *Resolution E-5007* was an overpayment as the 2017 Codes & Standards Award was at its cap. This Resolution reverses the overpayment. The 2016 true ups include SDG&E's weighted average cost of capital.

Component	Requested	Approved
2016 Evaluated HER Savings	$141,940	$141,940
2017 Expected Savings True Up	$0	$24,475
2016 Codes & Standards True Up	$0	$2,016
2017 Codes & Standards True Up	$0	($6,004)
2017 Non-Resource True Up	($2,933)	($2,933)
2018 Non-Resource True Up	$0	$2,933

SDG&E's final 2019 award values including all adjustments are shown in Table 14.

Table 14: SDG&E 2018 ESPI Awards

Component	Requested	Approved
2016 Evaluated HER Savings	$141,940	$141,940
2017 Evaluated Savings	$3,537,673	$3,513,198
2017 Expected Savings True Up	$0	$24,475
2018 Expected Savings	$183,025	$183,029
2018 Ex Ante Review Performance	$938,792	$856,624
2018 Codes & Standards	$121,488	$121,488
2018 Non-Resource	$178,977	$178,977
2016 Codes & Standards True Up	$0	$2,016
2017 Codes & Standards True Up	$0	($6,004)
2018 Codes & Standards True Up	$0	$0
2015 Non-Resource True Up	$0	$0
2016 Non-Resource True Up	$0	$0
2017 Non-Resource True Up	($2,933)	($2,933)
2018 Non-Resource True Up	$0	$2,933
Total Payment	**$5,098,962**	**$5,015,744**

COMMENTS

Public Utilities Code section 311(g)(1) provides that this Resolution must be served on all parties and subject to at least 30 days' public review and 20-day comment prior to a vote of the CPUC. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day review and 20-day comment period for the draft of this Resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

The CPUC received comments from PG&E, SCE and the California Public Advocates (CalPA). Additionally, SDG&E requested the opportunity to submit reply comments. PG&E commented that the CPUC used actual spending rather than authorized budgets in the 2018 expenditures workbook as a basis for calculating DINI (20%) soft caps or targets. PG&E asserted that the Energy Efficiency Policy Manual states that DINI costs are targeted at 20% of the total adopted energy efficiency budget.[35] The CPUC's utilization of actual spending in the 2018 expenditures workbook is consistent with Resolution E-5007. [36] Resolution E-5007 stated that: "While the Commission has allowed over-expenditures in these two categories, it does not intend to reward the IOUs based on these excess expenditures. Therefore, we remove any excess ME&O expenditures (over 6%) and non-exempted DINI expenditures (over 20%) from the total program expenditures and exclude the excess expenditures from earning shareholder incentive awards.[37]"

PG&E also commented that two financing programs were excluded from the DINI log that should have been included. As noted in Finding 17, there is a need to further research the appropriate application and reasonableness of including no-savings resource program budgets and expenditures for the ESPI awards mechanism. More

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[35] Energy Efficiency Policy Manual, Version 5, Appendix F, p. 92. Citing D.09-09-047 p. 74 and D.12-11-015, p.101

[36] Resolution E-5007, p.20.

[37] Resolution E-5007, p. 21.

research is necessary, so the CPUC will not include the finance programs in resource DINI expenditures.

CalPA commented that the utilities incorrectly calculated the weighted EAR performance scores. CalPA stated that, to avoid rewarding PG&E for non-compliance with Resolution E-5007, CPUC staff should not have adjusted PG&E's requested EAR performance award upwards from what PG&E requested by $182,251 to comply with the calculation methodologies described by E-5007. SCE and SDG&E requested EAR performance awards in excess of $155,082 and $22,934 respectively, as they utilized methodologies which differed from Resolution E-5007's requirements. CPUC staff adjusted the EAR performance awards downward to reflect accurate calculations, but CalPA recommends that the awards be reduced further as a penalty.

We decline to further adjust the IOU incentive payments based on incorrect EAR performance score calculations. The directions for such calculations were included in Resolution E-5007, which was issued on October 10, 2019. The ESPI advice letters were filed in September 2019, prior to issuance of Resolution E-5007. Rather than requiring the utility to resubmit their advice letters, the staff performed the calculations consistently with the requirements of Resolution E-5007. However, we will require the IOUs to follow the direction of E-5007 in their next filing.

Additionally, CalPA recommends the Commission issue an order to show cause directing SCE and SDG&E to evaluate their 2016 upstream lighting program savings based on discrepancies between claimed light bulb sales in 2017 and impact evaluation report findings. On January 9, 2020, the Commission issued a ruling seeking comment on the upstream lighting program impact evaluation for program year 2017.[38] While related proceedings are ongoing, and without 2016 impact evaluations to assess lighting related expenditures, we cannot assume such expenditures to be fraudulent. The CPUC will not postpone timely ESPI payments without evidence-based cause. CalPA may petition to the CPUC to consider the issue of the 2016 lighting expenditures and savings in the general Energy Efficiency Rulemaking (R.13-11-005) or a separate proceeding.

Similar to PG&E, SCE noted the use of actual expenditures rather than adopted budget for the calculation of DINI caps. SCE did not request a modification but stated that their

[38] *Administrative Law Judge's Ruling Seeking Comment on Upstream Lighting Program Impact Evaluation for Program Year 2019.*

DINI expenditures determined to be in excess would have been allowable for ESPI incentives using the adopted budget. SCE notes that actual expenditures are unknown during the budgeting process. We acknowledge that actual expenses are unknown during the budgeting process but decline to provide rewards for DINI spending in excess of 20% of actual expenditures. SCE also comments in support of the CPUC's adjustments to their weighted average ESPI score and True-Ups.

On February 20, 2020, SDG&E sent a letter to Energy Division requesting an opportunity to submit reply comments which would propose that the CPUC hold Resolution E-5062 pending the results of SDG&E's investigation into their 2017 upstream lighting program. The comment letter served with Draft Resolution E-5062 stated that reply comments would not be accepted. We decline to hold the Resolution E-5062 based on ongoing investigations. As noted in SDG&E's letter, Rulemaking (R.) 13-11-005 is currently considering discrepancies in SDG&E's 2017 upstream lighting program. If necessary, the CPUC can propose remedies related to changes in energy savings from this program in R.13-11-005.

FINDINGS

1. The IOUs' Coefficient Advice Letters were consistent in using program categories from their original budget filings.
2. There is a need to clarify which program categories should be used by IOUs to compute annual earnings coefficients considering recent changes to fund-shifting rules that do not require IOUs to seek approval for moving budgets among programs.
3. Inclusion of resource programs with or without energy savings increases award amounts because their budgets increase the earnings coefficients and award caps.
4. There is a need to further research the appropriate application and reasonableness of including no-savings resource program budgets and expenditures for the ESPI awards mechanism.
5. Ex ante review (EAR) performance scores must be weighted based on the proportion of savings attributed to deemed and custom measures in each IOU's portfolio.
6. The CPUC Staff relies on official annual CEDARS submittals to review approved budget and expenditure data.
7. There were unexplained discrepancies between ESPI Advice Letters and official CEDARS data although the IOUs were directed to inform CPUC Staff if any

information sought in the *Guidelines for the 2019 AL Submission* would result in a discrepancy with their official CEDARS data.

8. PG&E, SCE, and SDG&E's Direct Implementation Non-Incentive expenditures comprised over 20% of their respective IOU program expenditure totals in 2018.
9. The current ESPI mechanism does not provide an insight into whether certain programs show larger energy savings as a result of higher Marketing Education and Outreach and Direct Implementation Non-Incentive expenditures.
10. The IOUs' respective weighted average costs of capital must be applied to past award amounts when calculating true ups.
11. Our reliance upon the UAFCB audit reports to verify expenditures means we utilize their findings that some expenditures belong in program years other than the one audited in each report.
12. Positive true ups should not be applied in excess of award caps and negative true ups should be applied to the original expenditures, not the award cap, of a capped previous award.
13. There are no EAR Performance True Ups in this Resolution as the UAFCB did not audit any 2017 resource programs.
14. It is appropriate to modify the IOUs' requested awards based on the adjustments detailed in this Resolution.

THEREFORE, IT IS ORDERED THAT:

1. The request of Pacific Gas and Electric Company (PG&E) for ESPI awards as made in Advice Letter 4137-G/5628-E is approved with modifications to the original request as listed herein. PG&E is awarded $21,565,977 in 2019 ESPI incentives.

2. The request of Southern California Edison Company (SCE) for ESPI awards as made in Advice Letter 4070-E is approved with modifications to the original request as listed herein. SCE is awarded $16,525,779 in 2019 ESPI incentives.

3. The request of San Diego Gas & Electric Company (SDG&E) for ESPI awards as made in Advice Letter 3428-E/2796-G is approved with modifications to the original request as listed herein. SDG&E is awarded $5,015,744 in 2019 ESPI incentives.

4. Energy Division Staff shall work with the Assigned Commissioner Office and Assigned Administrative Law Judge to determine how to clarify which program

categories should be used by IOUs to compute the ESPI earnings rates and awards prior to the 2020 ESPI advice letters.

5. Energy Division Staff shall work with the Assigned Commissioner Office and Assigned Administrative Law Judge to determine the appropriate application and reasonableness of including no-savings resource program budgets and expenditures for the ESPI awards mechanism prior to the 2020 ESPI advice letters.

6. For use in their 2020 ESPI Advice Letters, and all future ESPI Advice Letters, the IOUs shall calculate weighted total ex ante review performance scores using the methods described in Resolution E-5007.

7. The IOUs must use the *Guidelines for the 2020 AL Submission* as a template for their 2020 ESPI Advice Letter submissions.

8. Within 30 days of the issuance of the 2020 ESPI guidelines, the IOUs shall file a Tier 1 Advice Letter calculating the earnings rates and award caps for program year 2019. The submission must include a comprehensive list of the utilities' energy efficiency programs and budget placements in accordance with the 2020 ESPI guidelines.

9. The IOUs shall clearly explain in future ESPI Advice Letter filings when there are discrepancies between their reported budgets and expenditures in their ESPI Advice Letter filings and their official California Energy Data and Reporting System (CEDARS) filings for the relevant years.

10. The IOUs shall renew their efforts to keep IOU program administrative costs, third party and local government partnership program direct administrative costs, Direct Implementation Non-Incentive costs, and Marketing Education and Outreach costs below their respective caps and targets previously set by the CPUC.

11. The IOUs shall apply their respective weighted average costs of capital to past award amounts when calculating true ups in future ESPI Advice Letters.

12. The IOUs shall request all true ups indicated by the UAFCB audit reports in their future ESPI Advice Letters.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on February 27, 2020; the following Commissioners voting favorably thereon:

/s/*ALICE STEBBINS*
ALICE STEBBINS
Executive Director

MARYBEL BATJER
President
GENEVIEVE SHIROMA
LIANE M. RANDOLPH
MARTHA GUZMAN ACEVES
CLIFFORD RECHTSCHAFFEN
Commissioners